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Cotton

SITUATION

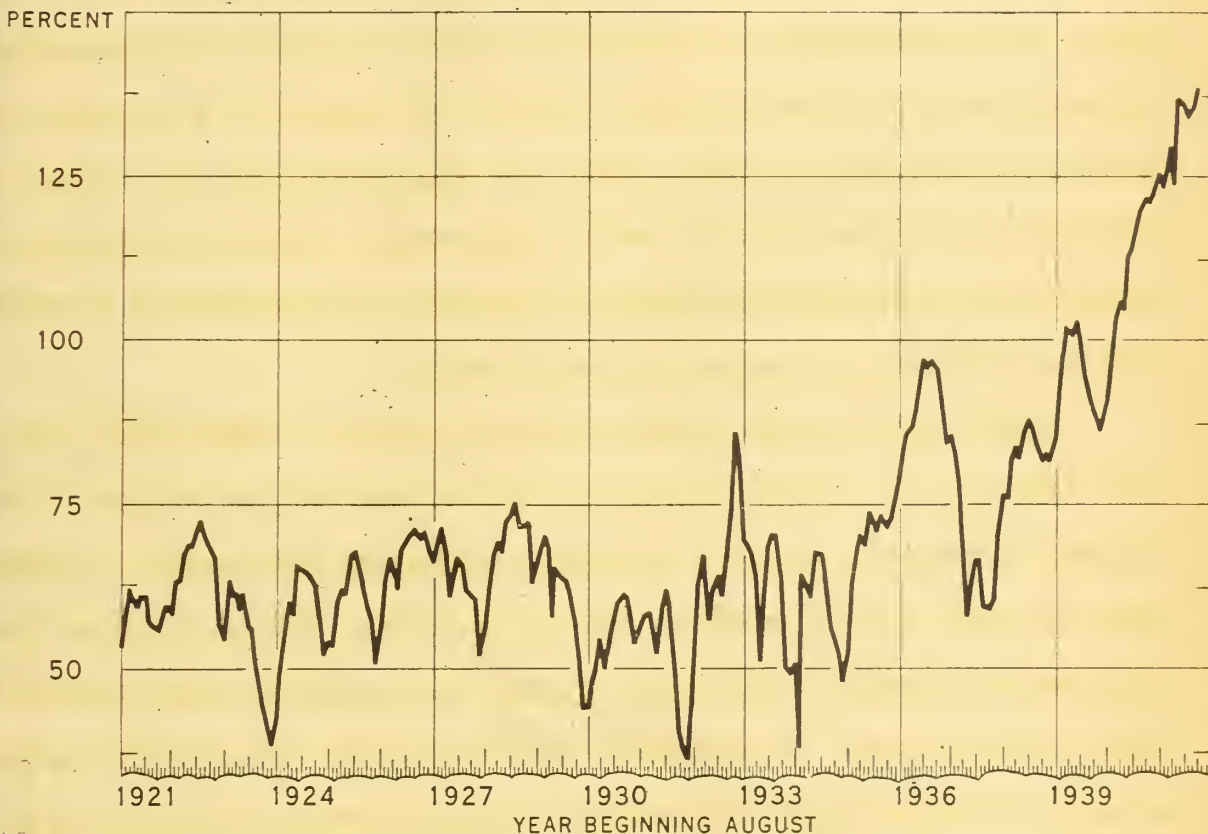
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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BAE

JUNE 1942

PERCENTAGE OF ACTIVITY IN COTTON SPINNING BASED ON 80 HOURS PER WEEK OPERATION, UNITED STATES, 1921-41



BASED ON DATA FROM BUREAU OF THE CENSUS

DATA FOR 1941 ARE PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

NEG. 42394 BUREAU OF AGRICULTURAL ECONOMICS

THE PERCENTAGE OF ACTIVITY IN THE COTTON SPINNING INDUSTRY, BASED ON 80 HOURS PER WEEK OPERATION, RANGED FROM ABOUT 50 TO 75 PERCENT DURING MOST OF THE FIRST 15 YEARS FOR WHICH RECORDS ARE AVAILABLE. THE INDEX ADVANCED FROM 49 PERCENT IN JULY 1935 TO 138 PERCENT IN MAY 1942.

THE MAY LEVEL REQUIRED THE OPERATION OF 23.1 MILLION SPINDLES, OR 96.1 PERCENT OF THE 24.1 MILLION SPINDLES IN PLACE, FOR A TOTAL OF 11,193 MILLION SPINDLE HOURS - AN AVERAGE OF 465 HOURS PER SPINDLE IN PLACE, OR 484 HOURS PER SPINDLE IN OPERATION. ON A DAILY BASIS THIS IS EQUIVALENT TO 15.6 HOURS PER SPINDLE IN OPERATION FOR EACH OF THE 31 DAYS IN MAY, OR AN AVERAGE OF 23.0 HOURS FOR EACH OF THE 21 "WORK" DAYS DURING MAY. MANY MILLS ARE NOW OPERATING ON A 7-DAY, 3-SHIFT BASIS.

THE COTTON SITUATION

Summary

Cotton consumption during May was 957,000 bales and for the 10 month August through May, total consumption was 9,203,000 bales, an increase of 1 percent over the same period last year. Consumption during the past 5 months fluctuated between 43,900 bales and 46,100 bales a day, and averaged 45,000 bales. With continuation of this rate in June and July, total consumption the season would be about 11,250,000 bales - an increase of 1.5 million bales over last season and 4.3 million above the 1935-39 average. The outlook for 1942-43 is for an even higher level of consumption, although increases above current levels will almost certainly be slower and more difficult to achieve than were corresponding gains from lower levels.

Cotton prices staged a sharp decline during the second half of May and the first part of June. Prices recently recovered somewhat and on June 27 the 10-market average for Middling 15/16-inch cotton was 19.07 cents, 72 points below the level a month earlier. Prices received by farmers advanced from 19.03 cents in April to 19.17 cents in May, and the parity price from 18.72 cents to 18.85 cents. In both April and May the farm price was 102 percent of parity. Margins on 17 constructions of unfinished cloth rose to 22.36 cents per pound during the week ended June 12, since the decline in cotton prices was not reflected in prices of unfinished goods. This margin is well above any other since data first became available in August 1925. The price of cloth (17 constructions) remained firm at 40.8 cents per pound.

While market premiums and discounts at Memphis have widened considerably in recent months, the premiums on cotton 1-1/8 inches and longer are still somewhat below the levels announced for the 1942 loan program. The

market discounts are also considerably larger for lengths below 15/16-inch than are the loan discounts. The continuation of this situation would make the 1942 Government loan relatively more attractive for both long staple and short staple cotton than for cotton 15/16-inch to 1-3/32 inches, inclusive, for which market premiums at Memphis are equal to or above loan premiums.

-- June 27, 1942

PRICES

Cotton Prices Decline, Then Recover Partially

The decline in cotton prices in evidence a month ago gained momentum during the early part of June, carrying the 10-market price of Middling 15/16 inch cotton to 18.28 cents per pound on June 8. This was 2 cents lower than a month earlier, 2-1/5 cents below the 13-year high established on April 9, and the lowest since January 2. At this level the price was still over 5 cents or nearly 40 percent above the level a year earlier. Prices have since recovered somewhat and on June 27 the 10-market average was 19.07 cents, or 72 points below the level on May 27.

Both the farm price and the parity price made slight advances in May. The former advanced from 19.03 cents in April to 19.17 cents in May, and the latter from 18.72 cents to 18.85 cents. In both months the farm price was 102 percent of parity.

Margins Widen As Decline in Cotton Prices is Not Reflected in Cloth Prices

The recent decline which carried cotton prices to the lowest level since early January was not reflected in the price of unfinished cotton textiles which remained firm at 40.8 cents per pound. Consequently, margins on 17 constructions of unfinished cloth rose to 22.36 cents per pound during the week ended June 12. This is well above any previous level since data first became available in August 1925.

Basic Supply and Demand Situation Not Greatly Different

Little change has occurred during the past few months in the basic supply and demand situation for cotton. The size of the 1941 crop was pretty well known for some months even though the final crop report was not issued until late April. Furthermore, the decrease in the volume of cotton owned and held by the Commodity Credit Corporation was approximately in line with general expectations, and the end-of-season carryover of "free" cotton, though larger than last year, will not be much different than expected for some time. Neither has much basis appeared for any marked change in expectations concerning 1942 crop prospects. Consumption continues at a record high level and

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will probably total about 11-1/4 million bales this season. The outlook for 1942-43 is for an even higher level of consumption. The price controls now in effect have been in the picture for some time.

Market Premiums and Discounts At Memphis Below
1942 Loan Level for Short and Long Staple
Cotton

With the announcement of the grade and staple premiums and discounts for the 1942 loan program in February, it became evident that farmers choosing to place their Middling White and Extra White rain-grown cotton in the 1942 Government loan will receive higher premiums for cotton 1-1/16-inch and longer than under the 1941 loan program. The increase is especially pronounced for staple lengths of 1-1/8-inch and longer. It was stated in the announcement that the new schedule of premiums was to encourage growers to shift to longer staple lengths in 1942 in order to make available particular types of cotton needed to meet military requirements. The differentials were established on the basis of market differentials during the first 6 months of the crop year with adjustments for the higher cost of producing the longer staple lengths.

Actual market premiums and discounts widened considerably between the opening of the current season and the announcement of the 1942 loan premiums in early February. This widening has continued and on June 19 the range for Middling White and Extra White cotton at Memphis based on 15/16-inch was from 150 points off for 13/16-inch to 917 points on for 1-1/4-inch, a range of 1,067 points. This compares with a range of 908 points just prior to the announcement of the 1942 loan premiums; 825 points on June 20, 1941, and 1,111 points under the new loan program. Although much of this widening is undoubtedly attributable to the higher level of cotton prices, the strong demand for the longer lengths needed in production of military supplies has also been an important factor.

The strong demand for the longer lengths has been associated in these months with the declining demand for shorter lengths. One evidence of this is the rather recent widening of the discount for 7/8-inch cotton at Memphis from 25 points in late February to 100 points on June 19. Similar changes occurred in other lengths below 15/16-inch. The discount under the new loan program is only 20 points for Middling 7/8-inch cotton, and the continuation of present market premiums and discounts would give a stronger incentive to place the short lengths under loan than the medium lengths for which market premiums equal or exceed the loan allowance.

During the past few months premiums have increased considerably for cotton 1-1/8-inch and longer. Even so, they are still from 83 to 118 points below the premiums established for the 1942 loan program. As in the case of staple lengths below 15/16-inch, a continuation of the present market premium would make the 1942 Government loan relatively more attractive for long staple cotton than for cotton from 15/16-inch to 1-3/32-inch inclusive.

CONSUMPTION

1941-42 Consumption May Total 11-1/4
Million Bales and Exceed 1940-41 by
1.5 Million

With data for 10 months of the current season now available, it seems probable that consumption for the 1941-42 season will total about 11,250,000 bales. This would be an increase of 1.5 million bales over last season and 4.3 million above the 1935-39 average.

Consumption during May totaled 957,000 bales and the total for the 10 months August-May was 9,203,000 bales. Of this quantity 68,400 bales were consumed in the various Government mattress programs. This compares with 323,000 bales of mattress cotton consumed during the corresponding period last season and the 1940-41 total of 420,000 bales. "Mill" consumption (total consumption less cotton consumed in Government mattress programs) increased 20 percent over the corresponding period a year earlier and shows a considerably larger gain for the 10 months than total consumption which advanced 16 percent.

Consumption this season has shown a marked increase over the corresponding period last year, and in recent months over the early months of this season. During the past few months there have been indications that a stable level of consumption may have temporarily been reached. Because of differences in the number of working days per month, there is naturally considerable variation in consumption from month to month. But, reduced to a daily basis, consumption during the past 5 months fluctuated between 43,900 bales and 46,100 bales and averaged 45,000 bales per day. With a continuation of this rate, total consumption for the season would be about 11,250,000 bales.

Although consumption may have temporarily leveled off, the outlook is for an even higher level of consumption next season. The production goals announced by the War Production Board call for cloth production of 14 billion square yards in the calendar year 1942 and 15 billion square yards in the calendar year 1943. Assuming the same yardage per bale as in the calendar year 1941 this production would require approximately 12 million and 12.9 million bales respectively. Consumption must reach an even higher level than at present if this goal is to be achieved.

Some further increase in cotton consumption appears likely through the shift to heavier fabrics. Also, active spindles can be increased in number and used more continuously if more mills operate on a three-shift basis and lengthen their work week toward full 7-day operation. Still another possibility of increasing cotton consumption is the increased spinning of cotton on machinery commonly used partially or entirely for the spinning of other fibers.

Although much of the effective increase in consumption from the shift to heavier fabrics has already been realized some additional increase is still in prospect. The increase in the number of active spindles, too, will necessarily be small relative to the increases that have already occurred. During May, 23,121,000 spindles were active out of a total of 24,062,000 spindles in place. This was an increase of 20,000 active spindles over April and 117,000 over May 1941. This gain from April to May was considerably smaller than the

gain of 197,000 spindles between the corresponding months last year. Many mills may also lengthen the hours of operation per week. It should be recognized that many are already operating on a full 7-day, 3-shift basis. Furthermore, for individual mills either their inability to prepare a larger volume of cotton for spinning or their difficulty in obtaining additional workers may limit such increases in spindle activity. Some shifting to cotton machinery intended in part or in whole for spinning of other fibers may be expected to contribute to increased cotton consumption during the coming year.

All of these means for bringing about an increase in cotton consumption above current record levels have promise, but increases above current levels will almost certainly be slower and more difficult to achieve than were similar gains from lower levels. The adverse effects of any stoppages due to labor difficulties, power shortages, or machinery breakdowns will tend to have considerably larger effects on cotton consumption than when consumption was at a lower level.

Table 1.- Cotton: Loan premiums and discounts, and market premiums and discounts at Memphis, specified dates, 1941 and 1942 ^{1/}

Staple length	Loan premiums and discounts			Market premiums and discounts at Memphis				
	Actual		Change 1942 over 1941	June 20,	Aug. 1,	Oct. 3,	Jan. 30,	June 1
	1941 ^{2/}	1942 ^{3/}		1941	1941	1941	1942	1942
Inches	Points	Points	Points	Points	Points	Points	Points	Points
13/16	- 80	- 80	0	- 85	- 85	- 75	- 75	- 15
7/8	- 20	- 20	0	- 25	- 25	- 25	- 25	- 10
29/32	- 10	- 10	0	- 15	- 15	- 15	- 15	- 8
15/16	Base	Base	--	Base	Base	Base	Base	Base
31/32	10	10	0	10	10	10	10	
1	20	20	0	25	25	25	35	2
1-1/32	35	35	0	35	35	50	85	6
1-1/16	55	85	30	60	60	90	160	16
1-3/32	90	185	95	75	75	125	195	21
1-1/8	165	475	310	175	155	239	258	39
1-5/32	300	650	350	300	280	439	458	54
1-3/16	445	790	345	400	465	564	608	69
1-7/32	530	905	375	615	590	664	708	81
1-1/4	625	1,035	410	740	715	764	833	91

Compiled from reports of the Commodity Credit Corporation and the Agricultural Marketing Administration.

^{1/} Middling White and Extra White Cotton.

^{2/} Applicable to all growths of American Upland cotton except irrigated cotton.

^{3/} Applicable to all growths of American Upland cotton except irrigated cotton of staple lengths of less than 1-1/8 inches.

Table 2 -- Percentage of activity in cotton spinning based on 5 day, 80 hour per week operation, United States, by months, August 1921 to date

Year	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Year
beginning:	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
Aug. 1													
1921	53.8	58.2	62.1	60.4	59.8	61.2	61.2	57.3	56.8	56.1	58.9	59.5	58.8
1922	53.9	63.5	63.9	67.5	69.2	69.2	71.7	72.6	70.7	68.7	66.8	56.3	60.3
1923	54.8	63.7	61.3	61.3	59.4	61.5	56.7	55.8	51.0	45.1	42.1	38.9	54.3
1924	42.7	49.3	54.9	59.6	58.7	65.6	65.1	64.7	64.0	62.4	57.7	52.4	58.1
1925	54.4	54.1	60.2	62.2	62.0	67.3	67.9	65.8	63.3	59.2	57.3	51.0	60.4
1926	56.7	63.6	67.1	65.1	62.4	68.0	70.0	70.8	71.4	70.3	70.9	68.4	67.1
1927	66.7	69.2	71.6	68.4	61.2	64.6	66.4	65.6	61.9	61.3	60.4	52.3	64.1
1928	56.8	62.3	67.3	69.2	68.2	72.6	73.6	75.2	72.0	72.0	72.7	62.3	60.3
1929	66.5	68.3	70.5	68.2	58.3	65.7	64.2	63.8	62.4	56.8	50.5	44.3	61.6
1930	44.7	48.1	50.0	54.6	50.1	55.5	57.6	60.0	61.2	60.7	57.3	54.3	54.5
1931	56.6	57.9	58.2	56.0	52.4	58.8	61.4	59.1	48.8	41.7	38.1	36.0	52.1
1932	47.4	62.8	67.1	63.6	57.6	61.7	63.9	61.6	66.8	74.0	85.3	82.2	63.2
1933	70.2	69.2	67.5	64.0	51.3	62.5	68.3	70.6	70.5	64.6	50.3	48.6	63.3
1934	50.5	38.2	64.1	62.4	60.8	67.9	67.4	64.1	56.6	54.9	52.5	48.7	57.4
1935	52.6	62.7	68.1	70.3	69.2	73.8	72.9	71.4	73.4	72.0	73.4	75.8	69.6
1936	80.4	83.4	85.3	87.1	89.6	95.4	97.1	96.4	97.0	95.7	90.4	84.6	90.2
1937	85.2	82.3	77.7	69.8	58.3	63.5	66.6	66.6	59.5	59.4	60.8	70.2	68.3
1938	76.2	76.0	81.9	83.4	82.3	85.7	87.8	86.7	84.7	81.9	82.5	81.9	82.5
1939	85.1	92.5	97.9	101.4	100.7	102.8	99.7	94.6	92.0	89.4	87.9	86.6	94.2
1940	90.5	96.8	103.5	105.7	105.2	112.3	114.0	116.9	120.1	121.7	121.5	123.0	110.9
1941 1/2	125.3	123.7	125.8	129.4	124.0	136.9	135.9	134.3	135.3	138.4			

Index through 1932 computed from data in reports of the Bureau of the Census; 1933 to date copied from reports of the Bureau of the Census.

1/ Preliminary.

STATISTICAL SUMMARY

Item	Unit	1941		1942		Pct. : year : ago
		Apr.	May	Apr.	May	
Prices:						
Middling 15/16-inch, 10 markets ...:	Cent	11.09	12.44	20.23	20.01	16
Farm, United States	Cent	10.45	11.68	19.03	19.17	16
Parity	Cent	16.00	16.12	18.72	18.85	11
Farm, percentage of parity	Percent	65	72	102	102	14
Premium of 1-1/8-inch over basis 2/:						
Memphis	Point	156	109	450	450	41
Carolina "B" mill area	Point	328	302	638	650	21
New England mill area	Point	352	327	662	675	20
American-Egyptian, farm, Arizona ...:	Cent	30.3	29.8	39.7	40.3	13
SXP, New England mill points 3/ ...:	Cent	34.50	34.90	43.88	44.35	12
Cloth, 17 constructions	Cent	31.05	33.42	40.50	40.82	12
Mill margin (17 constructions)	Cent	19.81	20.85	20.29	20.88	10
Cottonseed, farm price	Dollar	25.88	27.67	43.90	43.99	15
Cottonseed, parity	Dollar	29.09	29.32	34.05	34.28	11
Cottonseed, farm, pct. of parity ...:	Percent	89	94	129	128	13
Consumption:						
Total, during month	1,000 bales:	921.0	923.5	998.8	957.0	10
Total, cumulative	1,000 bales:	6,993	7,916	8,245	9,203	11
Mattress programs, total	1,000 bales:	45.0	48.0	4.9	1.7	
Mattress programs, cumulative	1,000 bales:	275.0	323.0	66.7	68.4	2
Mills, total 4/	1,000 bales:	876.0	875.5	993.9	955.3	10
Mills, cumulative	1,000 bales:	6,718	7,593	8,179	9,134	12
Per day, total	Bale	41,861	42,954	46,089	45,572	10
Per day, in mills 4/	Bale	39,816	40,722	45,863	45,491	11
American-Egyptian cotton, total ...:	Bale	2,457	2,579	4,533	4,209	16
American-Egyptian, cumulative	Bale	18,822	21,401	33,288	37,497	17
Spindle activity:						
Spindles in place	Thousand	24,365	24,360	24,073	24,062	
Active spindles	Thousand	22,807	23,004	23,100	23,121	10
Percentage active	Percent	93.6	94.4	96.0	96.1	10
Hours operated, total	Million	10,299	10,276	11,463	11,193	10
Hours per spindle in operation	Hour	452	447	496	484	10
Hours per day 5/	Hour	15.1	14.4	16.5	15.6	10
Stocks, end of month:						
Consuming establishments	1,000 bales:	1,935	1,932	2,632	2,589	1
Public storage and compresses	1,000 bales:	12,370	11,400	10,397	9,403	
Total 6/	1,000 bales:	14,305	13,332	13,029	11,992	
Egyptian cotton, total 6/	Bale	49,035	51,031	48,082	42,918	
American-Egyptian cotton, total 6/ :	Bale	21,663	20,400	33,747	32,309	1
Index numbers:						
Cotton consumption	1935-39=100:	160	164	177	175	1
Spindle activity 7/	Percent	120.1	121.7	135.3	138.4	1
Prices paid, interest and taxes ...:	1910-14=100:	129	130	151	152	1
Industrial production	1935-39=100:	144	154	173	176	1
Wholesale prices	1910-14=100:	121	124	144	144	1

Compiled from official sources. 1/ Applies to last month for which data are available. 2/ Premiums for Middling 1-1/8-inch based on near-month futures at New York. 3/ SXP, No. 2, 1-1/2-inch, New England, mill points. 4/ Total consumption less cotton consumed in Government mattress programs. 5/ Total hours per spindle in operation divided by number of days in calendar month. 6/ Includes only stocks in mills and public storage and at compresses. 7/ Based on 5-day, 80-hour per week operation.